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and Related Financial Issues
Fourth session
Geneva, 4 October 1999
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. PROVISIONAL AGENDA

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2. Adoption of the agenda and organization of work

3. Trends in FDI and ways and means of enhancing FDI flows to and among developing countries, in particular LDCs and countries receiving relatively low FDI inflows, with a view to increasing the benefits they entail, and taking into account the factors which play a part in private sector firms' choices of investment locations

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Introduction

1. As mandated by UNCTAD IX, the Commission on Investment, Technology and Related Financial Issues will deal with the areas identified in paragraphs 89 (a)-(g); 91 (iii; 89 (k)-(m); and 87 (i) of "A Partnership for Growth and Development" (TD/377). The Commission will perform integrated policy work in its areas of competence. It has specific mandates and greater delegation of decision-making on matters of substance. It should consider the findings of its expert meetings and discuss their policy implications.

Item 1 - Election of officers

2. In accordance with rule 18 of the rules of procedure of the main Committees of the Trade and Development Board, the Commission shall elect a Chairman, five Vice-Chairmen and a Rapporteur from among the representatives of its members, taking into account the need to ensure equitable geographical distribution. Moreover, rule 19 of the same rules of procedure states that the Bureau of the Commission shall consist of seven members (i.e. four members from Lists A and C combined, two members from List B and one member from List D, referred to in the annex to General Assembly resolution 1995 (XIX) as amended).

Item 2 - Adoption of the agenda and organization of work

3. The provisional agenda for the fourth session of the Commission, as reproduced in section I above, was approved by the Commission at the final plenary meeting of its third session on 18 September 1998 (cf. TD/B/45/9, annex II).

Documentation

TD/B/COM.2/18 Provisional agenda and annotations

4. Concerning the organization of the work of the session, the Commission has five days available to it. It is suggested that the agenda items be taken up sequentially, with the first plenary meeting, on Monday, 4 October, being devoted to procedural matters, introductory statements and the commencement of the discussions under item 3. A preliminary timetable is annexed to this document.

5. The secretariat will prepare a detailed programme, which will be available on the first day of the session.

Item 3 - Trends in FDI and ways and means of enhancing FDI flows to and among developing countries, in particular LDCs and countries receiving relatively low FDI inflows, with a view to increasing the benefits they entail, and taking into account the factors which play a part in private sector firms' choices of investment locations

6. Against the background of a slow-down in world economic growth in 1998 and the financial crisis that hit many developing countries and the Russian Federation in 1997-1998, FDI inflows increased by 39 per cent in 1998, over 1997, rising to a record $645 billion. This growth was fuelled by a 70 per cent increase in flows to developed countries that was based on a surge in mergers and acquisitions. This increase more than offset the decline of 4 per cent in flows to developing countries in 1998. While Asia and Latin America accounted for the majority of receipts, Africa received only some $8 billion. Total 1998 FDI inflows into LDCs as a group increased by 13.5 per cent. Central and Eastern Europe received $18 billion.

7. Three factors can be identified that explain the differences in FDI performance among countries. These play a part in the choices of firms as regards foreign investment locations: the policies of host countries, the proactive measures that countries adopt to promote and facilitate investment, and the characteristics of their economies. All three factors are undergoing changes brought about by the process of globalization.

8. The 1990s have seen a new era of capital mobility in which private capital flows assume a significant role as a source of finance for developing countries. Over the period 1991-1998, FDI and Foreign Portfolio investment (FPI) represented about 90 per cent (51 per cent and 39 per cent respectively) of total capital flows to developing countries and countries in transition. Differences and complementaries between FDI and FPI relate to their determinants and their different developmental impacts, particularly those that arise out of the greater volatility of FPI flows. How to maximize the contribution of foreign investments to economic development poses a number of challenges, including nurturing certain determinants for desirable types of foreign investments and the relationship between portfolio investment and FDI. The policy agenda should address the question of the extent to which capital flows need to be facilitated.

9. To deepen the understanding of recent developments in trends and policies of foreign investments, item 3 will focus on two important aspects: (i)ways and means of enhancing FDI flows in developing countries, with a view to increasing their benefits to development; (ii) the interrelationship between portfolio and FDI flows, and the policy implications. In addition to the discussion of the trends in national

investment policies, the Commission will also have a stock-taking of UNCTAD's intergovernmental deliberations on development implications of international investment agreements over the past four years.

10. To facilitate the Commission's deliberations, the secretariat has prepared a paper on the above mentioned issues. In addition, the reports of the Expert Meeting on Portfolio Investment Flows and FDI (28-30 June 1999) and the Expert Meeting on International Investment Agreements: Concepts Allowing for a Certain Flexibility in the Interest of Promoting Growth and Development (24-26 March 1999) will be available for consideration. The intention for the former would be to discuss further the policy implications resulting from the similarities and dissimilarities between portfolio investment and FDI, as well as market-based measures to control the volatility of investment flows. For the latter, the intention is to consider policy implications of expert views relating to the issue of flexibility in international investment agreements. The issues paper submitted to that Expert Meeting and subsequently revised at the request of the Meeting will be made available at the Commission (UNCTAD/ITE/Misc.17).

Documentation

TD/B/COM.2/ 21	"Trends in FDI and ways and means of enhancing FDI flows to and among developing countries, in particular LDCs and countries receiving relatively low FDI inflows, with a view to increasing the benefits they entail, and taking into account the factors which play a part in private sector firms' choices of investment locations"
TD/B/COM.2/17	"Report of the Expert Meeting on International Investment Agreements: Concepts Allowing for a Certain Flexibility in the Interest of Promoting Growth and Development"
TD/B/COM.2/20	"Report of the Expert Meeting on Portfolio Investment Flows and FDI"

Item 4 - Investment policy and science, technology and innovation policy reviews: methodology and experiences

11. Under this item, the Commission will consider the work carried out under paragraphs 89 (c) and 89 (k) of "A Partnership for Growth and Development" (TD/377). UNCTAD undertakes investment policy reviews with member countries that so desire in order to familiarize other Governments and the international private sector with an individual country's investment environment and policies. Two reviews have been conducted: "Investment Policy Review of Egypt" (UNCTAD/ITE/IIP/Misc.11) and "Investment Policy Review of Uzbekistan" (UNCTAD/ITE/IIP/Misc.13). Two more reviews are in the process of completion and would be available for consideration by the Commission: "Investment Policy Review of Uganda" and "Investment Policy Review of Peru". The developing countries under review are

witnessing uninterrupted upward trends in FDI and are front-runners in their respective regions. The increased flows are attributable, *inter alia*, to the implementation of sound macro-economic policies, the adoption of legal, regulatory and transparent frameworks spelling out investors' rights and protections, as well as the privatization process. The amount and type of incoming FDI varies according to country specifics. All the countries under review have potential to develop industry clusters with higher value-added products, but available industrial skills and shortage of middle level management tend to limit investment. Efforts to attract FDI should be complemented by broader development efforts, including policies to encourage linkages between domestic enterprises and foreign firms.

12. UNCTAD undertakes science, technology and innovation policy (STIP) reviews with interested countries in order to identify options for national action, especially those which foster technological capability and innovation and the transfer of and diffusion of technology. Two STIP reviews have been conducted: "The Science, Technology and Innovation Policy Review, Jamaica" (UNCTAD/ITE/IIP/6) and "The Science, Technology and Innovation Policy Review, Colombia" (UNCTAD/ITE/IIP/5). The STIP reviews show that in Colombia and Jamaica, as in many developing countries, a number of required science and technology institutions already exist but these tend to operate in a fragmented manner, disconnected from the enterprise sector. It is desirable to bring science and technology closer to the needs of local production and build linkages between centres of knowledge generation (supply) and production (demand) and to encourage interactions among public R&D institutions, technology centres, enterprises, universities and financing institutions geared to facilitating innovation at the level of the enterprise. Policies should, inter alia, stimulate demand for technology and technology-based services in production, especially among SMEs.

13. In addition to the individual country policy reviews, the secretariat will make available a paper providing a brief account of their methodology and findings, as well as the progress on other reviews now under way.

Documentation

TD/B/COM.2/23 "Investment policy and science, technology and innovation policy reviews: methodology and experiences"

Item 5 - Reports of the subsidiary bodies of the Commission

14. The Intergovernmental Group of Experts on Competition Law and Policy, and the Intergovernmental Working Group of Experts on International Standards for Accounting and Reporting held their annual sessions during the first half of 1999. The reports of the two subsidiary bodies will be available for consideration by the Commission.

Documentation

TD/B/COM.2/16	"Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, sixteenth session, 17-19 February 1999"
TD/B/COM.2/19	"Report of the Intergovernmental Group of Experts on Competition Law and Policy, 7-9 June 1999"

Item 6 - Progress report on the implementation of agreed conclusions and recommendations of the Commission

15. In accordance with decision 446 (EX-16) of the Trade and Development Board on "Guidelines on the efficiency and functioning of the UNCTAD intergovernmental machinery", the Commissions should have before them, at the following session, progress reports on the implementation of agreed conclusions and recommendations by the secretariat. A brief report has been prepared to review the progress of implementation of agreed conclusions and recommendations since the last session of the Commission, as contained in TD/B/49/9. As a background to that report, the secretariat has prepared a "DITE Activities Report 1998-1999" (UNCTAD/ITE/Misc.16) that provides more detailed information about the actions undertaken by the secretariat in pursuance of the mandates received at the previous sessions of the Commission, as well as the technical assistance activities implemented by the secretariat in the areas of investment, technology and enterprise development. The latter will be made available upon request.

TD/B/COM.2/22	"Progress report on the implementation of agreed conclusions and recommendations"

Item 7 - Other business

Item 8 - Adoption of the report of the Commission

16. The report of the Commission will be adopted at its final plenary meeting and submitted to the Trade and Development Board for consideration.

Timetable of the 4th session of the Commission on Investment, Technology and Related Financial Issues

	Monday, 4 October	Tuesday, 5 October	Wednesday, 6 October	Thursday, 7 October	Friday, 8 October
Morning	Opening of the session Item 1 and 2 Item 3 Trends in FDI and ways and means of enhancing FDI flows	Item 3 (cont'd) Trends in FDI and ways and means of enhancing FDI flows	Item 4 (cont'd) Investment policy and science, technology and innovation policy reviews	Item 6 Progress report on the implementation of agreed conclusions and recommendations of the Commission	Informal consultations Outcomes of the session
Afternoon	Item 4 Investment policy reviews panel on Egypt's investment environment and policies	Item 3 (cont'd) Consideration of the reports of the two expert meetings (EM on IIAS and EM on FPI and FDI)	Item 5 Reports of the subsidiary bodies of the Commission (IGEs on ISAR and CLP)	Item 6 (cont'd) Progress report on the implementation of agreed conclusions and recommendations of the Commission Followed by informal consultations: Possible outcomes of the Commission	Informal consultations Outcomes of the session Followed by: Final plenary